



June 1, 2020

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July 2019 through May 2020, FY 2020

This is the second monthly report of State General Fund (SGF) receipts for FY 2020 based upon the revised estimates made by the Consensus Revenue Estimating Group on April 20, 2020.

Total receipts through May of FY 2020 were \$17.3 million, or 0.3 percent, above the estimate. The component of total SGF receipts from taxes only was \$28.2 million, or 0.4 percent, above the estimate.

While this is encouraging, total SGF receipts through May of FY 2020 were \$303.4 million, or 4.6 percent, below FY 2019 for the same period. Tax receipts only for the same period were below those of FY 2019 by \$384.7 million, or 5.8 percent.

Five tax sources exceeded the revised estimates by more than \$1.0 million: retail sales tax (\$16.6 million or 0.8 percent); compensating use tax (\$8.6 million or 2.0 percent); individual income tax (\$7.1 million or 0.2 percent); cigarette tax (\$2.0 million or 1.9 percent); and corporate franchise tax (\$1.5 million or 32.6 percent).

One tax source was below the estimate by more than \$1.0 million: corporate income tax (\$9.3 million or 2.7 percent). Kansas saw higher-than-anticipated corporate refunds in May, although there is some indication that corporations chose to receive refunds during the immediacy of the pandemic as an alternative to carrying them forward into FY 2021 (as might have normally been the case).

Although sales tax receipts for the month of May were \$27.3 million less than those of the same month from FY 2019, the fiscal-year-to-date receipts were above the April 20 forecast by \$16.6 million. The forecast was reduced in April by \$95 million notwithstanding the fact that receipts through March had run \$22.5 million above the previous estimate (made in November). Sales tax receipts through the end of May continue to show positive growth (0.6 percent) above FY 2019 receipts.

Compensating use tax receipts finished \$8.6 million above the estimate and are 11.4 percent ahead of FY 2019 receipts when comparing the first 11 months of both fiscal years. Receipts from this source have been driven by stronger collections from out-of-state retailers in the wake of a 2018 decision by the U.S. Supreme Court and have been accelerated by changed consumption behavior as a result of the COVID-19 pandemic.

As explained in documents from the April 20 Consensus update, \$560 million of individual income tax collections that would have otherwise come in during FY 2020 have now been assumed to be have been delayed until FY 2021 as a result of delayed filing and payment deadlines. A preliminary determination as to the accuracy of these assumptions cannot be made until the end of July. (*Note: A final determination may not be available until the end of October as some taxpayers may file for extensions.*) As noted in this report last month, interpreting monthly receipts reports in the meantime remains extremely problematic given the difficulty in separating the accuracy of the Consensus Group's assumptions about decelerated receipts from the accuracy of other assumptions about the impact of the COVID-19 pandemic on the economy. Nevertheless, the \$7.1 million that individual income tax receipts finished above the estimate appears to have been driven by stronger-than-expected withholding, which was not among the components of this tax source impacted by the deadline extensions. Withholding during the month of May actually increased 4.4 percent above that of May 2019. This is after the Department of Labor has confirmed that a small percentage of those receiving unemployment insurance has chosen to have taxes withheld on their unemployment insurance benefits.

Transfers (net) were below the estimate by \$9.4 million, or 23.3 percent, primarily due to a transfer of \$10.0 million from the SGF to the State Emergency Fund approved by the State Finance Council on May 13, 2020. Agency earnings and miscellaneous were below the estimate by \$2.3 million, or 5.0 percent. The reduction in agency earnings is attributable to unclaimed property receipts.

This report excludes a deposit to the SGF of \$275.0 million due to the issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July-May, FY 2020
(Dollars in Thousands)

| | Actual FY 2019 | FY 2020 | | | Percent change relative to: | |
|----------------------------|---------------------|---------------------|---------------------|--------------------|-----------------------------|-----------------|
| | | Estimate* | Actual | Difference | FY 2019 | Estimate |
| Property Tax/Fee: | | | | | | |
| Motor Carriers | \$ 11,196 | \$ 11,550 | \$ 11,879 | \$ 329 | 6.1 % | 2.8 % |
| Income Taxes: | | | | | | |
| Individual | \$ 3,367,676 | \$ 2,978,000 | \$ 2,985,100 | \$ 7,100 | (11.4) % | 0.2 % |
| Corporation | 369,506 | 339,000 | 329,715 | (9,285) | (10.8) | (2.7) |
| Financial Inst. | 38,230 | 34,200 | 34,326 | 126 | (10.2) | 0.4 |
| <i>Total</i> | <u>\$ 3,775,412</u> | <u>\$ 3,351,200</u> | <u>\$ 3,349,141</u> | <u>\$ (2,059)</u> | <u>(11.3) %</u> | <u>(0.1) %</u> |
| Excise Taxes: | | | | | | |
| Retail Sales | \$ 2,136,326 | \$ 2,133,000 | \$ 2,149,569 | \$ 16,569 | 0.6 % | 0.8 % |
| Compensating Use | 391,195 | 427,000 | 435,631 | 8,631 | 11.4 | 2.0 |
| Cigarette | 107,206 | 104,000 | 105,950 | 1,950 | (1.2) | 1.9 |
| Tobacco Products | 8,138 | 8,350 | 8,367 | 17 | 2.8 | 0.2 |
| Liquor Gallonage | 20,030 | 19,700 | 19,866 | 166 | (0.8) | 0.8 |
| Liquor Enforcement | 68,122 | 67,700 | 67,759 | 59 | (0.5) | 0.1 |
| Liquor Drink | 11,122 | 9,450 | 9,919 | 469 | (10.8) | 5.0 |
| Severance | 37,992 | 19,500 | 20,279 | 779 | (46.6) | 4.0 |
| Gas | 9,366 | 200 | 170 | (30) | (98.2) | (15.0) |
| Oil | 28,626 | 19,300 | 20,109 | 809 | (29.8) | 4.2 |
| <i>Total</i> | <u>\$ 2,780,131</u> | <u>\$ 2,788,700</u> | <u>\$ 2,817,340</u> | <u>\$ 28,640</u> | <u>1.3 %</u> | <u>1.0 %</u> |
| Other Taxes: | | | | | | |
| Insurance Premiums | \$ 113,334 | \$ 117,500 | \$ 117,309 | \$ (191) | 3.5 % | (0.2) % |
| Corporate Franchise | 6,009 | 4,500 | 5,969 | 1,469 | (0.7) | 32.6 |
| Miscellaneous | 3,418 | 3,120 | 3,118 | (2) | (8.8) | (0.1) |
| <i>Total</i> | <u>\$ 122,761</u> | <u>\$ 125,120</u> | <u>\$ 126,396</u> | <u>\$ 1,276</u> | <u>3.0 %</u> | <u>1.0 %</u> |
| Total Taxes | \$ 6,689,500 | \$ 6,276,570 | \$ 6,304,756 | \$ 28,186 | (5.8) % | 0.4 % |
| Other Revenue: | | | | | | |
| Interest | \$ 43,409 | \$ 51,800 | \$ 52,632 | \$ 832 | 21.2 % | 1.6 % |
| Transfers (net) | (125,065) | (40,400) | (49,800) | (9,400) | 60.2 | (23.3) |
| Agency Earnings & Misc | 46,782 | 46,000 | 43,680 | (2,320) | (6.6) | (5.0) |
| Total Other Revenue | \$ (34,874) | \$ 57,400 | \$ 46,512 | \$ (10,888) | 233.4 % | (19.0) % |
| TOTAL RECEIPTS | \$ 6,654,626 | \$ 6,333,970 | \$ 6,351,268 | \$ 17,298 | (4.6) % | 0.3 % |

* Consensus Estimate as of April 20, 2020.

Excludes a Certificate of Indebtedness of \$275 million that must be redeemed prior to the end of the fiscal year.

Note: Details may not add to totals due to rounding.